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Subject: Kraft and Mondelēz Global to Pay \$16 Million in Wheat Manipulation Case

To:



U.S. COMMODITY FUTURES TRADING COMMISSION

Ensuring the Integrity of the Futures & Swaps Markets

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[Web Version](#), [Order](#), [Statement of the Commission](#) and [Concurring Statement of Commissioners Berkovitz and Behnam](#)

Release: 7996-19

For Release: August 15, 2019

Kraft and Mondelēz Global to Pay \$16 Million in Wheat Manipulation Case

Penalty Valued at Three Times the Alleged Gain

Washington, DC — The U.S. Commodity Futures Trading Commission today announced that it obtained a \$16 million penalty and injunction pursuant to a federal court's entry of a consent order against defendants **Kraft Foods Group, Inc.** and **Mondelēz Global LLC**. The order, entered on August 14, 2019 by the Honorable Judge John Robert Blakey of the U.S. District Court for the Northern District of Illinois, resolves the CFTC's complaint alleging, among other things, manipulation of the wheat market.

The \$16 million penalty is approximately three times defendants' alleged gain. The order also enjoins Kraft and Mondelēz from engaging in future violations of the manipulation, wash trade, and position limit provisions of the Commodity Exchange Act and CFTC regulations charged in the complaint.

"America is the breadbasket of the world; wheat markets are its heart. Market manipulation inflicts real pain on farmers by denying them the fair value of their hard work and crops," said Chairman Heath P. Tarbert. "It also hurts American families by raising the costs of putting food on the table. Instances of market manipulation are precisely the kinds of cases the CFTC was founded to pursue."

The CFTC complaint alleged that in response to high cash wheat prices in late summer 2011, Kraft and Mondelēz developed, approved, and executed a manipulative strategy to purchase and stand for delivery on more than 3,000 futures contracts (approximately \$90 million) of Spring

Red Wheat (SRW) in the December 2011 expiration to send the market a false signal that the defendants had demand for — and would use — futures wheat to source the defendants' wheat supply requirements in their Toledo mill. (Release No. [7150-15](#)) The complaint alleged that, in fact, Kraft and Mondelēz had no intention of sourcing wheat from the futures market, and the \$90 million of wheat futures at issue far exceeded their actual sourcing needs. As alleged, Kraft's and Mondelēz's true goal was to narrow the price spread between the December 2011 and deferred-month wheat futures contracts, thereby causing the market to sell cash wheat to Kraft and Mondelēz at lower prices, while earning Kraft and Mondelēz a profit on their speculative futures positions. The complaint further alleged that Kraft's and Mondelēz's actions caused an artificial price that ultimately earned them more than \$5 million in profits.

Since fiscal year 2017, the Division of Enforcement's prosecution of manipulation-related cases has increased by more than 40 percent relative to the total number of such cases brought during the preceding 6 fiscal years.

CFTC Division of Enforcement staff members primarily responsible for this case are Robert Howell, Joseph Patrick, Stephanie Reinhart, Neel Chopra, Susan Gradman, and Scott Williamson, as well as former staff members Michael Frisch, Jennifer Smiley, and Rosemary Hollinger. Division of Market Oversight staff members responsible for this case are David Amato, Gene Kunda, Christa Lachenmayr, and Jerry Lavin.

A statement from the Commission can be found [here](#). A further concurring statement by Commissioners Berkovitz and Behnam can be found [here](#).

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